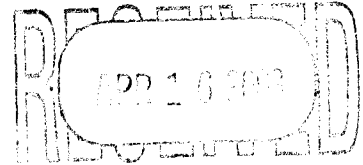


ARIZONA CORPORATION COMMISSION
UTILITIES DIVISION



ANNUAL REPORT MAILING LABEL – MAKE CHANGES AS NECESSARY

P

SW-03575A
Palo Verde Utilities Company
426 N. 44th Street, Ste. 200
Phoenix AZ 85008

ANNUAL REPORT

FOR YEAR ENDING

12	31	2002
-----------	-----------	-------------

FOR COMMISSION USE

ANN05	02
--------------	-----------

*Entered
4/30/03
C.M.
2002
assessment
db updated
C.M.*

*4-23-03
Property taxes not
separated by parcel
per report they
were paid
C*

PROCESSED BY:

4/23/03 CM

SCANNED

OK

COMPANY INFORMATION

Company Name (Business Name) <u>Palo Verde Utilities Company</u>		
Mailing Address <u>426 N. 44th St., Ste. 200</u>		
<u>Phoenix</u> (City)	<u>AZ</u> (State)	<u>85008</u> (Zip)
<u>602-914-2200</u> Telephone No. (Include Area Code)	<u>602-914-2101</u> Fax No. (Include Area Code)	 Pager/Cell No. (Include Area Code)
Email Address <u>cliles @ phxcapital.net</u>		
Local Office Mailing Address <u>(same as above)</u>		
 (City)	 (State)	 (Zip)
 Local Office Telephone No. (Include Area Code)	 Fax No. (Include Area Code)	 Pager/Cell No. (Include Area Code)
Email Address _____		

MANAGEMENT INFORMATION

Management Contact: <u>Cindy Liles</u>		<u>VP-CFO</u>
(Name)		(Title)
<u>426 N. 44th St., Ste. 200, Phoenix, AZ</u>		<u>85008</u>
(Street)	(City)	(State) (Zip)
<u>602 914 2200</u> Telephone No. (Include Area Code)	<u>602 914 2101</u> Fax No. (Include Area Code)	 Pager/Cell No. (Include Area Code)
Email Address <u>cliles @ phxcapital.net</u>		
On Site Manager: <u>Edward Farrell</u>		
(Name)		
 (Street)	 (City)	 (State) (Zip)
<u>520-518-1235</u> Telephone No. (Include Area Code)	 Fax No. (Include Area Code)	<u>520-518-1235</u> Pager/Cell No. (Include Area Code)
Email Address _____		

Statutory Agent: FC Service Corporation
(Name)

3003 N. Central Avenue, Ste. 2200, Phoenix, AZ 85012
(Street) (City) (State) (Zip)

602-916-5000 602-916-5566
Telephone No. (Include Area Code) Fax No. (Include Area Code) Pager/Cell No. (Include Area Code)

Attorney: Jay Shapiro, Fennemore Craig
(Name)

3003 N. Central Avenue, Ste. 2600, Phoenix AZ 85012
(Street) (City) (State) (Zip)

602-916-5366 602-916-5566
Telephone No. (Include Area Code) Fax No. (Include Area Code) Pager/Cell No. (Include Area Code)

OWNERSHIP INFORMATION

Check the following box that applies to your company:

- | | |
|---|---|
| <input type="checkbox"/> Sole Proprietor (S) | <input type="checkbox"/> C Corporation (C) (Other than Association/Co-op) |
| <input type="checkbox"/> Partnership (P) | <input type="checkbox"/> Subchapter S Corporation (Z) |
| <input type="checkbox"/> Bankruptcy (B) | <input type="checkbox"/> Association/Co op (A) |
| <input type="checkbox"/> Receivership (R) | <input checked="" type="checkbox"/> Limited Liability Company |
| <input type="checkbox"/> Other (Describe) _____ | |

COUNTIES SERVED

Check the box below for the county/ies in which you are certificated to provide service:

- | | | |
|-------------------------------------|-----------------------------------|---|
| <input type="checkbox"/> APACHE | <input type="checkbox"/> COCHISE | <input type="checkbox"/> COCONINO |
| <input type="checkbox"/> GILA | <input type="checkbox"/> GRAHAM | <input type="checkbox"/> GREENLEE |
| <input type="checkbox"/> LA PAZ | <input type="checkbox"/> MARICOPA | <input type="checkbox"/> MOHAVE |
| <input type="checkbox"/> NAVAJO | <input type="checkbox"/> PIMA | <input checked="" type="checkbox"/> PINAL |
| <input type="checkbox"/> SANTA CRUZ | <input type="checkbox"/> YAVAPAI | <input type="checkbox"/> YUMA |
| <input type="checkbox"/> STATEWIDE | | |

COMPANY NAME

PALO VERDE UTILITY COMPANY

UTILITY PLANT IN SERVICE

Acct. No.	DESCRIPTION	Original Cost (OC)	Accumulated Depreciation (AD)	O.C.L.D. (OC less AD)
351	Organization	88723	0	88723
352	Franchises			
353	Land and Land Rights	164670	0	164670
354	Structures and Improvements	994425	99443	894982
355	Power Generation Equipment			
360	Collection Sewers – Force	1746688	31440	1715248
361	Collection Sewers – Gravity			
362	Special Collecting Structures			
363	Services to Customers	223569	3689	219880
364	Flow Measuring Devices			
365	Flow Measuring Installations			
370	Receiving Wells	104019	2600	101419
380	Treatment and Disposal Equip.			
381	Plant Sewers	75068	1501	73567
382	Outfall Sewer Lines	350831	6315	344522
389 *	Other Plant and Misc. Equipment	59742	1495	58247
390	Office Furniture and Equipment	21653	736	20917
391	Transportation Equipment			
393	Tools, Shop and Garage Equip.			
394	Laboratory Equipment			
395	Power Operated Equipment			
398	Other Tangible Plant			
	TOTALS	3829394	147219	3682175

This amount goes on the Balance Sheet Acct. No. 108

* Acct 371 Pumping Equipment

1/2 year convention

COMPANY NAME

PALO VERDE UTILITY COMPANY

CALCULATION OF DEPRECIATION EXPENSE

Acct. No.	DESCRIPTION	Original Cost (1)	^{ANNUAL} Depreciation Percentage (2)	^{1/2 Yr Conversion} Depreciation Expense (1x2)
351	Organization	88123	0	0
352	Franchises			
353	Land and Land Rights	164670	0	0
354	Structures and Improvements	994425	20.0	99443
355	Power Generation Equipment			
360	Collection Sewers – Force	1746688	3.6	31440
361	Collection Sewers – Gravity			
362	Special Collecting Structures			
363	Services to Customers	223569	3.3	3689
364	Flow Measuring Devices			
365	Flow Measuring Installations			
370	Receiving Wells	104019	5.0	2600
380	Treatment and Disposal Equip.			
381	Plant Sewers	75068	4.0	1501
382	Outfall Sewer Lines	350837	3.6	6315
389	Other Plant and Misc. Equipment	59742	5.0	1495
390	Office Furniture and Equipment	21653	6.8	736
391	Transportation Equipment			
393	Tools, Shop and Garage Equip.			
394	Laboratory Equipment			
395	Power Operated Equipment			
398	Other Tangible Plant			
	TOTALS	3829394		147219

This amount goes on Comparative Statement of Income and Expense Acct. 403

COMPANY NAME

PALO VERDE UTILITIES COMPANY

BALANCE SHEET

Acct. No.		BALANCE AT BEGINNING OF TEST YEAR	BALANCE AT END OF YEAR
	ASSETS		
	CURRENT AND ACCRUED ASSETS		
131	Cash	\$ 30250	\$ 21268
132	Special Deposits		
135	Temporary Cash Investments		
141	Customer Accounts Receivable		
146	Notes/Receivables from Associated Companies		
151	Plant Material and Supplies		
162	Prepayments		
174	Miscellaneous Current and Accrued Assets		18456
	TOTAL CURRENT AND ACCRUED ASSETS	\$ 30250	\$ 39724
	FIXED ASSETS		
101	Utility Plant in Service	\$	\$ 3829394
103	Property Held for Future Use		
105	Construction Work in Progress	2459988	2291714
108	Accumulated Depreciation – Utility Plant		<147219>
121	Non-Utility Property		
122	Accumulated Depreciation – Non Utility		
	TOTAL FIXED ASSETS	\$ 2459988	\$ 5973889
	TOTAL ASSETS	\$ 2490238	\$ 6013613

NOTE: Total Assets on this page should equal **Total Liabilities and Capital** on the following page.

COMPANY NAME **PAVO VERDE UTILITIES COMPANY**

BALANCE SHEET (CONTINUED)

Acct. No.	LIABILITIES	BALANCE AT BEGINNING OF TEST YEAR	BALANCE AT END OF YEAR
	CURRENT LIABILITIES		
231	Accounts Payable	\$	\$ 491954
232	Notes Payable (Current Portion)		
234	Notes/Accounts Payable to Associated Companies		985180
235	Customer Deposits		
236	Accrued Taxes		
237	Accrued Interest		
241	Miscellaneous Current and Accrued Liabilities		19256
	TOTAL CURRENT LIABILITIES	\$	\$ 1496390
	LONG-TERM DEBT (Over 12 Months)		
224	Long-Term Notes and Bonds	\$	\$ 0
	DEFERRED CREDITS		
252	Advances in Aid of Construction	\$ 30000	\$ 1064865
253	Other Deferred Credits	250	
255	Accumulated Deferred Investment Tax Credits		
271	Contributions in Aid of Construction		
272	Less: Amortization of Contributions		
281	Accumulated Deferred Income Tax		
	TOTAL DEFERRED CREDITS	\$ 30250	\$ 1064865
	TOTAL LIABILITIES	\$ 30250	\$ 2561255
	CAPITAL ACCOUNTS		
201	Common Stock Issued	\$ 2459988	\$ 3521372
211	Other Paid in Capital		
215	Retained Earnings		< 690147
218	Proprietary Capital (Sole Props and Partnerships)		
	TOTAL CAPITAL	\$ 2459988	\$ 3452358
	TOTAL LIABILITIES AND CAPITAL	\$ 2490238	\$ 6013613

COMPANY NAME

Palo Verde Utilities Company

COMPARATIVE STATEMENT OF INCOME AND EXPENSE

	OPERATING REVENUES	PRIOR YEAR	TEST YEAR
521	Flat Rate Revenues	\$	\$ 211605
522	Measured Revenues		
536	Other Wastewater Revenues		39020
	TOTAL REVENUES	\$	\$ 250625
	OPERATING EXPENSES		
701	Salaries and Wages	\$	\$ 105550
710	Purchased Wastewater Treatment		
711	Sludge Removal Expense		
715	Purchased Power		6131
716	Fuel for Power Production		
718	Chemicals		
720	Materials and Supplies		14507
731	Contractual Services – Professional		16138
735	Contractual Services – Testing		
736	Contractual Services – Other		
740	Rents		23008
750	Transportation Expense		
755	Insurance Expense		5901
765	Regulatory Commission Expense		
775	Miscellaneous Expense		1185
403	Depreciation Expense		147219
408	Taxes Other Than Income		
408.11	Property Taxes		
409	Income Taxes		
	TOTAL OPERATING EXPENSES	\$	\$ 319639
	OTHER INCOME/EXPENSE		
419	Interest and Dividend Income	\$	\$
421	Non-Utility Income		
426	Miscellaneous Non-Utility Expenses		
427	Interest Expense		
	TOTAL OTHER INCOME/EXP	\$	\$ 0
	NET INCOME/(LOSS)	\$ 0	\$ <69014>

COMPANY NAME

Palo Verde Utilities Company

SUPPLEMENTAL FINANCIAL DATA**Long-Term Debt**

	LOAN #1	LOAN #2	LOAN #3	LOAN #4
Date Issued	N/A			
Source of Loan				
ACC Decision No.				
Reason for Loan				
Dollar Amount Issued	\$	\$	\$	\$
Amount Outstanding	\$	\$	\$	\$
Date of Maturity				
Interest Rate	%	%	%	%
Current Year Interest	\$	\$	\$	\$
Current Year Principle	\$	\$	\$	\$

COMPANY NAME

Palo Verde Utilities Company

WASTEWATER COMPANY PLANT DESCRIPTION**TREATMENT FACILITY**

TYPE OF TREATMENT (Extended Aeration, Step Aeration, Oxidation Ditch, Aerobic Lagoon, Anaerobic Lagoon, Trickling Filter, Septic Tank, Wetland, Etc.)	Aerated lagoon with four aerators plus facultative lagoon with two aerators plus contact chamber.
DESIGN CAPACITY OF PLANT (Gallons Per Day)	300,000

LIFT STATION FACILITIES

Location	Quantity of Pumps	Horsepower Per Pump	Capacity Per Pump (GPM)	Wet Well Capacity (gals)
Rancho El Dorado Parkway and Santa Rosa Wash	2	20	1400	5140
Wastewater Treatment Plant (Influent lift station)	2	35	1000	4710

FORCE MAINS

Size	Material	Length (Feet)
4-inch		N/A
6-inch		N/A
10-inch	PVC	3352
14-inch	PVC	2406

MANHOLES

Type	Quantity
Standard	311
Drop	1

CLEANOUTS

Quantity
6

COMPANY NAME

Palo Verde Utilities Company

WASTEWATER COMPANY PLANT DESCRIPTION CONTINUED**COLLECTION MAINS**

Size (in inches)	Material	Length (in feet)
4		
6	PVC	115
8	PVC	61417
10	PVC	11428
12	PVC	1355
15	PVC	5180
18		
21		
24	HOPE	5804
30		
10	DIP	290

12 DIP 20
24 DIP 20
27 HOPE 1679

SERVICES

Size (in inches)	Material	Quantity
4	PVC	1162
6		
8		
12		
15		

FOR THE FOLLOWING FIVE ITEMS, LIST THE UTILITY OWNED ASSETS IN EACH CATEGORY

SOLIDS PROCESSING AND HANDLING FACILITIES	NONE
DISINFECTION EQUIPMENT (Chlorinator, Ultra-Violet, Etc.)	HYPPO - CHLORINATOR
FILTRATION EQUIPMENT (Rapid Sand, Slow Sand, Activated Carbon, Etc.)	NONE
STRUCTURES (Buildings, Fences, Etc.)	CHAIN - LINK FENCE 2450 LF
OTHER (Laboratory Equipment, Tools, Vehicles, Standby Power Generators, Etc.)	GENERATOR = 350 KVA, 480V, 4W GENERATOR = 80 KVA, 480V, 4W

COMPANY NAME

PALO VERDE UTILITIES COMPANY

WASTEWATER FLOWS

MONTH/YEAR (Most Recent 12 Months)	NUMBER OF SERVICES *	(gallons) TOTAL MONTHLY SEWAGE FLOW	(gallons) SEWAGE FLOW ON PEAK DAY
Jan 2002) First home sold to homeowner		
February			March 2002.
March			
April	13	58,500	2340
May	77	358,050	13860
June	161	724,500	28980
July	232	1078,800	41760
August	353	1641,450	63540
September	441	1984,500	79380
October	520	2418,000	93600
November	595	2766,750	107332
December	636	2996,832	110790

* Excludes HOA irrigation meters, lakes and construction of homes and land.

PROVIDE THE FOLLOWING INFORMATION AS APPLICABLE

Method Of Effluent Disposal (leach field, surface water discharge, reuse, injection wells, groundwater recharge, evaporation ponds, etc.)	Reuse (Agriculture fields)
Wastewater Inventory Number (all wastewater systems are assigned an inventory number)	System Inventory # 103558
Groundwater Permit Number	TYPE 1 Small water provider SB - 102952.0005 SB - 001355.0000
ADEQ Aquifer Protection Permit Number	P 103558
ADEQ Reuse Permit Number	R 103558
EPA NPDES Permit Number	not applicable

STATISTICAL INFORMATION

Total number of customers 636 Sewer connections at 12/31/02

Total number of gallons treated 14,027,382 gallons

COMPANY NAME Palo Verde Utilities Company YEAR ENDING 12/31/2002

INCOME TAXES

For this reporting period, provide the following:

Federal Taxable Income Reported
Estimated or Actual Federal Tax Liability

Not applicable

State Taxable Income Reported
Estimated or Actual State Tax Liability

1

Amount of Grossed-Up Contributions/Advances:

Amount of Contributions/Advances
Amount of Gross-Up Tax Collected
Total Grossed-Up Contributions/Advances

0
0
0

Decision No. 55774 states, in part, that the utility will refund any excess gross-up funds collected at the close of the tax year when tax returns are completed. Pursuant to this Decision, if gross-up tax refunds are due to any Payer or if any gross-up tax refunds have already been made, attach the following information by Payer: name and amount of contribution/advance, the amount of gross-up tax collected, the amount of refund due to each Payer, and the date the Utility expects to make or has made the refund to the Payer.

CERTIFICATION

The undersigned hereby certifies that the Utility has refunded to Payers all gross-up tax refunds reported in the prior year's annual report. This certification is to be signed by the President or Chief Executive Officer, if a corporation; the managing general partner, if a partnership; the managing member, if a limited liability company or the sole proprietor, if a sole proprietorship.



SIGNATURE

4-14-03

DATE

Michael T. Reinbold

PRINTED NAME

President

TITLE

COMPANY NAME Palo Verde Utilities Company YEAR ENDING 12/31/2002

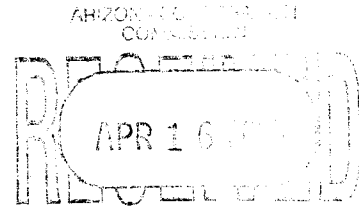
PROPERTY TAXES

Amount of actual property taxes paid during Calendar Year 2002 was: \$ 0

Attach to this annual report proof (e.g. property tax bills stamped "paid in full" or copies of cancelled checks for property tax payments) of any and all property taxes paid during the calendar year.

If no property taxes paid, explain why. The wastewater company tax parcels
have not been completely identified and separately billed.
All taxes, have been paid by the owner of the land
surrounding the wastewater company.

**VERIFICATION
AND
SWORN STATEMENT
Intrastate Revenues Only**



VERIFICATION

STATE OF Arizona

I, THE UNDERSIGNED

OF THE

COUNTY OF (COUNTY NAME)	<u>Pinal</u>
NAME (OWNER OR OFFICIAL) TITLE	<u>Cindy Liles, CFO</u>
COMPANY NAME	<u>Palo Verde Utilities Company</u>

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

MONTH	DAY	YEAR
<u>12</u>	<u>31</u>	<u>2002</u>

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

IN ACCORDANCE WITH THE REQUIREMENT OF TITLE 40, ARTICLE 8, SECTION 40-401, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS DURING CALENDAR YEAR 2002 WAS:

Arizona IntraState Gross Operating Revenues Only (\$)

\$ 250,625.⁰⁰

(THE AMOUNT IN BOX ABOVE
INCLUDES \$ 0.00

IN SALES TAXES BILLED, OR COLLECTED

****REVENUE REPORTED ON THIS PAGE MUST INCLUDE SALES TAXES BILLED OR COLLECTED. IF FOR ANY OTHER REASON, THE REVENUE REPORTED ABOVE DOES NOT AGREE WITH TOTAL OPERATING REVENUES ELSEWHERE REPORTED, ATTACH THOSE STATEMENTS THAT RECONCILE THE DIFFERENCE. (EXPLAIN IN DETAIL)**

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS

14th

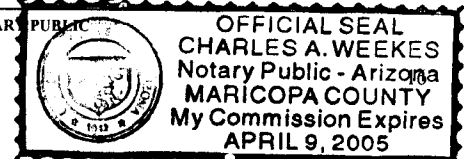
DAY OF

COUNTY NAME	<u>Maricopa</u>
MONTH	<u>April</u>
	<u>2003</u>

Charles A. Weekes

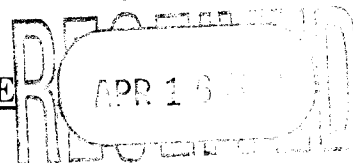
SIGNATURE OF NOTARY PUBLIC

(SEAL)
MY COMMISSION EXPIRES April 9, 2005



**VERIFICATION
AND
SWORN STATEMENT
RESIDENTIAL REVENUE
INTRASTATE REVENUES ONLY**

ARIZONA CORPORATION
COMMISSION



VERIFICATION

STATE OF Arizona

I, THE UNDERSIGNED

OF THE

(COUNTY NAME) <u>Pinal</u>	
NAME (OWNER OR OFFICIAL) <u>CINDY LILES</u>	TITLE <u>CFO</u>
COMPANY NAME <u>PALO VERDE UTILITIES COMPANY, LLC</u>	

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

MONTH	DAY	YEAR
<u>12</u>	<u>31</u>	<u>2002</u>

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

IN ACCORDANCE WITH THE REQUIREMENTS OF TITLE 40, ARTICLE 8, SECTION 40-401.01, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS RECEIVED FROM RESIDENTIAL CUSTOMERS DURING CALENDAR YEAR 2002 WAS:

ARIZONA INTRASTATE GROSS OPERATING REVENUES \$ <u>115466.⁰⁰</u>

(THE AMOUNT IN BOX AT LEFT
INCLUDES \$ 0.00
IN SALES TAXES BILLED, OR COLLECTED

*RESIDENTIAL REVENUE REPORTED ON THIS PAGE
MUST INCLUDE SALES TAXES BILLED.

X Cindy Liles, VP-CFO
SIGNATURE OF OWNER OR OFFICIAL

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

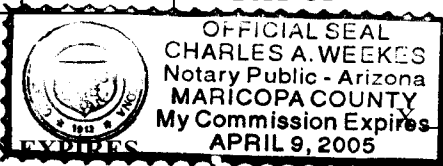
THIS

14th

DAY OF

(SEAL)

MY COMMISSION



NOTARY PUBLIC NAME <u>Charles A. Weekes</u>	
COUNTY NAME <u>Maricopa</u>	
MONTH <u>April</u>	YEAR <u>2003</u>

Charles A. Weekes

SIGNATURE OF NOTARY PUBLIC